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COUNTY OF LASSEN
SINGLE AUDIT REPORT
JUNE 30, 2008

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COUNTY OF LASSEN

Single Audit Report For the Year Ended June 30, 2008

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GALLINA LLP

CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Supervisors and Grand Jury
County of Lassen
Susanville, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the County of Lassen as of and for the year ended June 30, 2008, which collectively comprise the County's financial statements and have issued our report thereon dated December 31, 2008. The report on governmental and business-type activities was qualified because capital asset balances of the County have not been audited. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and one that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statement that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 08-FS-1 and 08-FS-2 to be significant deficiencies in internal control over financial reporting.

Board of Supervisors and Grand Jury
County of Lassen

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 08-FS-1 and 08-FS-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County of Lassen in a separate letter dated December 31, 2008.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the County of Lassen, the Board of Supervisors, and the Grand Jury, and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.



Roseville, California
December 31, 2008



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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Supervisors and Grand Jury
County of Lassen
Susanville, California

Compliance

We have audited the compliance of the County of Lassen, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

As described in items 08-SA-2, 08-SA-3, 08-SA-4, 08-SA-5, and 08-SA-6 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding eligibility and housing quality standards enforcement that are applicable to its Section 8 Voucher Housing program. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 08-SA-7, 08-SA-9, 08-SA-10, 08-SA-11, and 08-SA-12.

Board of Supervisors and Grand Jury
County of Lassen

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompany schedule of findings and questions costs as items 08-SA-1, 08-SA-2, 08-SA-3, 08-SA-4, 08-SA-5, 08-SA-6, 08-SA-7, 08-SA-8, 08-SA-9, 08-SA-10, 08-SA-11, 08-SA-12, and 08-SA-13 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questions costs, we consider items 08-SA-2, 08-SA-3, 08-SA-5, 08-SA-7, 08-SA-9, 08-SA-10, 08-SA-11, 08-SA-12, and 08-SA-13 to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, and business-type activities, each major fund, and the aggregate remaining fund information of the County of Lassen as of and for the year ended June 30, 2008, and have issued our report thereon dated December 31, 2008. Our audit was performed for the purpose of forming opinions on the

Board of Supervisors and Grand Jury
County of Lassen

Schedule of Expenditures of Federal Awards (continued)

financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Supplementary Statement of Grant Expenditures, on pages 42-43, has not been subjected to auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the County of Lassen, the Board of Supervisors, and the Grand Jury, and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.



Roseville, California
December 31, 2008, as to the portion of this
report regarding the Schedule of
Expenditures of Federal Awards; and
February 17, 2009, as to all other portions of
this report

COUNTY OF LASSEN

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Agriculture</u>			
Direct Programs:			
Federal Patrol Services - Lassen	10.000	--	\$ 22,000
Federal Patrol Services - Modoc	10.000	--	3,000
Marijuana Eradication	10.000	--	8,000
Subtotal			<u>33,000</u>
Passed through State Department of Social Services:			
Food Stamps	10.551*	--	2,924,477
State Administrative Matching Grants for Food Stamp Program	10.561*	--	196,479
Subtotal			<u>3,120,956</u>
Passed through State Controller's Office:			
Schools and Roads – Grants to States	10.665*	--	1,698,709
Schools and Roads – Grants to Counties	10.666*	--	281,496
Subtotal			<u>1,980,205</u>
Total U.S. Department of Agriculture			<u>\$ 5,134,161</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through the State Department of Housing and Community Development:			
Community Development Block Grant/State's Program	14.228*	03-STBG-1831	44,400
Community Development Block Grant/State's Program	14.228*	04-STBG-1904	291,787
Community Development Block Grant/State's Program	14.228*	05-STBG-1491	13,173
Community Development Block Grant/State's Program	14.228*	--	45,000
Subtotal			<u>349,960</u>
Direct Program:			
Section 8 Voucher Housing Program	14.871*	--	369,787
Total U.S. Department of Housing and Urban Development			<u>\$ 719,747</u>
<u>U.S. Department of the Interior</u>			
Direct Programs:			
Interagency Trail Coordinator	15.225	--	20,000
Taylor Grazing	15.227	--	10,264
Payments in Lieu of Taxes	15.226	--	496,331
Total U.S. Department of the Interior			<u>\$ 526,595</u>

* Major Program

COUNTY OF LASSEN

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Justice</u>			
Passed through State Office of Emergency Services:			
Victim Witness Assistance Program	16.575	VW07150180	\$ 42,763
Edward Byrne Memorial Grant	16.579	DC07180180	112,424
			<hr/>
Total U.S. Department of Justice			\$ 155,187
			<hr/>
<u>U.S. Department of Transportation</u>			
Passed through State Department of Transportation:			
Highway Planning and Construction	20.205	RSTPL-5907 (013)	3,003,598
Highway Planning and Construction	20.205	RSTPL-5907 (014)	22,795
Highway Planning and Construction	20.205	BRLO-5907 (031)	3,779
Highway Planning and Construction	20.205	BRLO-5907 (032)	2,130
Highway Planning and Construction	20.205	BRLO-5907 (040)	26,038
Highway Planning and Construction	20.205	BRLO-5907 (033)	8,356
Highway Planning and Construction	20.205	BRLO-5907 (044)	7,609
Highway Planning and Construction	20.205	BRLO-5907 (003)	9,645
Federal Transportation Non-Urbanized Area Formula Program	20.509	Cycle 25	132,793
			<hr/>
Total U.S. Department of Transportation			\$ 3,216,743
			<hr/>
<u>U.S. Department of Health and Human Services</u>			
Passed through State Department of Social Services:			
Family Preservation and Support Services	93.556	--	16,122
Temporary Assistance for Needy Families	93.558*	--	3,375,396
Child Welfare Services - State Grants	93.645	--	24,535
Foster Care - Title IV-E	93.658*	--	2,210,030
Title IV-E Probation	93.658*	--	305,709
Adoption Assistance Program	93.659	--	223,964
Child Welfare Services - Title XX	93.667	--	40,448
Independent Living	93.674	--	96,867
Subtotal			<hr/>
			6,293,071
			<hr/>
Passed through State Department of Child Support Enforcement:			
Child Support Enforcement	93.563*	--	686,463
			<hr/>
Passed through State Department of Health Services:			
Local Enforcement Assistance	93.000	EA 16-05-06	17,459
Children's Health and Disability Program	93.994	--	42,578
AIDS Education and Training Centers	93.145	--	1,000
Childhood Lead Poisoning Prevention Program	93.197	02-25048	7,405
Immunization Assistance Program	93.268	--	7,376
Pandemic Influenza Program (Pan Flu)	93.283	--	12,372
California Children's Services	93.767	--	75,663
DHS Medi-Cal	93.778	--	277,443

* Major Program

COUNTY OF LASSEN

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Health and Human Services (continued)</u>			
Passed through State Department of Health Services (continued):			
Children's Health and Disability Program--Foster Care	93.994	--	\$ 17,939
HIV Testing/Surveillance	93.940	--	8,000
Emergency Preparedness	93.996	--	125,140
Maternal and Child Health Services	93.994		63,476
Subtotal			<u>655,851</u>
Passed through the State Department of Mental Health:			
Substance Abuse and Mental Health Services Administration (SAMHSA)	93.958	--	<u>99,154</u>
Passed through the County of Plumas Public Health:			
Ryan White	93.917	--	<u>14,434</u>
Passed through State Department of Alcohol and Drug Abuse Programs:			
Block Grants for Prevention and Treatment of Substance Abuse (SAPT)	93.959	--	<u>442,984</u>
Total U.S. Department of Health and Human Services			<u>\$ 8,191,957</u>
Total Expenditures of Federal Awards, Excluding Loans			<u>\$ 17,944,390</u>
<u>Federal Loan Balances With a Continuing Compliance Requirement at Year-End</u>			
<u>U.S. Department of Housing and Urban Development</u>			
Passed through State Department of Housing and Community Development:			
Community Development Block Grants/States Program	14.228*	89-STBG-379	\$ 51,954
HOME Investment Partnerships Program	14.239	93-HOME-0055	20,732
HOME Investment Partnerships Program	14.239	94-HOME-0098	88,677
Federal Loan Balances with a Continuing Compliance Requirement			<u>161,363</u>
Total Expenditures of Federal Awards Including Loans			<u>\$ 18,105,753</u>

* Major Program

COUNTY OF LASSEN

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2008

Note 1: **Reporting Entity**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the County of Lassen. The County of Lassen's reporting entity is defined in Note 1 to the County's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule.

Note 2: **Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the County and is presented on Generally Accepted Accounting Principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Note 3: **Relationship to Financial Statements**

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the County's financial statements. Federal award revenues are reported principally in the County's financial statements as intergovernmental revenues in the General and Special Revenue funds.

Note 4: **Subrecipients**

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the County provided federal awards to subrecipients as follows:

Federal CFDA	Program Title	Amount Provided to Subrecipients
10.666	Schools and Roads – Grants to Counties	\$ 278,795

Note 5: **Pass-Through Entities' Identifying Number**

When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the County determined that no identifying number is assigned for the program or the County was unable to obtain an identifying number from the pass-through entity.

COUNTY OF LASSEN

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2008

Note 6: Program Clusters

Federal programs, which must be audited together as a program cluster, include the following:

<u>Federal CFDA</u>	<u>Program Title</u>	<u>Federal Expenditures</u>
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Food Stamp Cluster:

10.551	Food Stamps	\$ 2,924,477
10.561	State Administrative Matching Grants for Food Stamp Program	<u>196,479</u>
	TOTAL	<u>\$ 3,120,956</u>

Schools and Roads Cluster:

10.665	Schools and Roads – Grants to States	\$ 1,698,709
10.666	Schools and Roads – Grants to Counties	<u>281,496</u>
	TOTAL	<u>\$ 1,980,205</u>

COUNTY OF LASSEN

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2008

Section 1

Financial Statements

Summary of Auditor's Results

- | | |
|--|---------------|
| 1. Type of auditor's report issued: | Unqualified |
| 2. Internal controls over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|-------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| 2. Type of auditor's report issued on compliance for major programs: | |
| Section 8 Voucher Housing Program | Qualified |
| All Other Major Programs | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(a)? | Yes |
| 4. Identification of major programs: | |

CFDA Number

10.551	Food Stamps
10.561	State Administrative Matching Grants for Food Stamps Program
10.665	Schools and Roads – Grants to States
10.666	Schools and Roads – Grants to Counties
14.228	Community Development Block Grant/State's Program
14.871	Section 8 Voucher Housing Program
93.558	Temporary Assistance for Needy Families (TANF)
93.563	Child Support Enforcement
93.658	Foster Care – Title IV-E

- | | |
|---|------------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs? | \$ 543,173 |
|---|------------|

COUNTY OF LASSEN

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2008

6. Auditee qualified as a low-risk auditee under
OMB Circular A-133, Section 530? No

Section 2

Financial Statement Findings

Preparation of the Schedule of Expenditures of Federal Awards	08-FS-1
General Controls Over Financial Reporting	08-FS-2

Section 3

Federal Award Findings and Questioned Costs

CFDA 14.228	08-SA-1
CFDA 14.871	08-SA-2
CFDA 14.871	08-SA-3
CFDA 14.871	08-SA-4
CFDA 14.871	08-SA-5
CFDA 14.871	08-SA-6
CFDA 93.558	08-SA-7
CFDA 93.558	08-SA-8
CFDA 93.558	08-SA-9
CFDAs 10.551, 10.561, 93.558, and 93.658	08-SA-10
CFDA 93.658	08-SA-11
CFDA 93.563	08-SA-12
CFDAs 10.665, 10.666, 14.228, 93.558, and 93.658	08-SA-13

COUNTY OF LASSEN

Schedule of Findings and Questioned Costs Financial Statement Findings For the Year Ended June 30, 2008

Finding/Subject	Findings/Noncompliance
Finding 08-FS-1 (and 08-SA-13)	
Preparation of the Schedule of Expenditures of Federal Awards	<i>Federal Grantors:</i> U.S. Department of Agriculture (10.665 and 10.666) U.S. Department of Housing and Urban Development (14.228) U.S. Department of Health and Human Services (93.558 and 93.658)
Schools and Roads—Grants to States CFDA 10.665	<i>Pass-Through Entities:</i> State Controller's Office (10.665 and 10.666) State Department of Housing and Community Development (14.228) State Department of Social Services (93.558 and 93.658) <i>Compliance Requirement:</i> Reporting <i>Reporting Requirement:</i> Material Weakness
Schools and Roads—Grants to Counties CFDA 10.666	<u>Criteria</u> OMB Circular A-133 § 310(b) provides that auditees undergoing a federal single audit prepare a Schedule of Expenditures of Federal Awards (SEFA) listing individual programs by federal agency and Catalog of Federal Domestic Assistance (CFDA) number. The SEFA, while not a part of the basic financial statements, is audited in relation to the basic financial statements, in accordance with the requirements of OMB Circular A-133. To promote the accuracy of the SEFA, Circular A-133 requires that auditees perform a reconciliation between the expenditures reported on the general ledger and the federal expenditures reported on the SEFA.
Community Development Block Grant/State's Program CFDA 14.228	
Temporary Assistance for Needy Families CFDA 93.558	<u>Condition</u> In the process of performing analytical procedures on the County's draft SEFA for the fiscal year, we observed significant variances from the prior year in the expenditures reported for the Schools and Roads, Community Development Block Grant, Temporary Assistance for Needy Families, and Foster Care, and Medi-Cal federal programs. We requested further information and adjusted the SEFA, as some federal expenditures had been omitted from the original draft.
Foster Care— Title IV-E CFDA 93.658	
Award Nos. n/a Year: 2007-2008	<u>Effect of Condition</u> Undetected omission of federal expenditures from the SEFA could lead to action by federal and state grantor agencies, and may result in additional audit costs if the omitted information leads to changes in audit requirements.

COUNTY OF LASSEN

Schedule of Findings and Questioned Costs Financial Statement Findings For the Year Ended June 30, 2008

Finding/Subject	Findings/Noncompliance
Finding 08-FS-1 (and 08-SA-13) (continued) Preparation of the Schedule of Expenditures of Federal Awards	<u>Recommendation</u> We recommend that the County conduct a training session with Department fiscal staff on SEFA preparation, and that documents be requested from Departments to substantiate significant variances from the prior year during the County's review of the SEFA prior to submission for audit. <u>Management's Response</u>
Schools and Roads—Grants to States CFDA 10.665	Instructions for preparation of the SEFA have been updated to include an explanation of any significant variance in expenditures from the prior year. Additional instruction will be provided to departments on the preparation of the SEFA prior to June 30, 2009.
Schools and Roads—Grants to Counties CFDA 10.666	Karen Fouch at (530)-251-8233 is the contact person for this plan.
Community Development Block Grant/State's Program CFDA 14.228	
Temporary Assistance for Needy Families CFDA 93.558	
Foster Care— Title IV-E CFDA 93.658	

COUNTY OF LASSEN

Schedule of Findings and Questioned Costs Financial Statement Findings For the Year Ended June 30, 2008

Finding/Subject	Findings/Noncompliance
Finding 08-FS-2	<i>Reporting Requirement: Material Weakness</i>
Reconciliation of Cash in Treasury	<div data-bbox="428 470 526 501"><u>Criteria</u></div> <div data-bbox="428 537 1463 758">Generally accepted practice in accounting for cash deposited in on-demand bank accounts provides that during the periodic bank reconciliation process, when additions or deductions to the bank balance that have not been posted to the general ledger are identified, these additions and deductions are back-posted to the general ledger in the period in which they occurred, rather than in the period in which the reconciliation is completed.</div> <div data-bbox="428 800 558 831"><u>Condition</u></div> <div data-bbox="428 869 1463 1016">The County's year end reconciliation between the general ledger and the treasury balance included an item related to outgoing payroll transfers that had left the County's bank account prior to June 30, 2008, but were not posted to the general ledger until after that date.</div> <div data-bbox="428 1058 680 1089"><u>Effect of Condition</u></div> <div data-bbox="428 1127 1463 1232">If items from the year end bank reconciliation are not back-posted as appropriate, the cash balance reported on the financial statements could be misstated.</div> <div data-bbox="428 1274 656 1306"><u>Recommendation</u></div> <div data-bbox="428 1344 1463 1417">We recommend that the County integrate back-posting of prior period transactions into its reconciliation process with the treasury.</div> <div data-bbox="428 1459 729 1491"><u>Management Response</u></div> <div data-bbox="428 1528 1446 1602">The County agrees with the recommendation. Transactions will be back-posted to the period in which they occurred.</div> <div data-bbox="428 1640 1273 1671">Karen Fouch at (530)-251-8233 is the contact person for this plan.</div>

COUNTY OF LASSEN

Schedule of Findings and Questioned Costs Federal Award Findings and Questioned Costs For the Year Ended June 30, 2008

Program	Findings/Noncompliance
Finding 08-SA-1	<i>Federal Grantor:</i> U.S. Department of Housing and Urban Development
Community Development Block Grant/State's Program CFDA 14.228	<i>Pass-Through Entity:</i> State Department of Housing and Community Development
	<i>Compliance Requirement:</i> Allowable Activities/Cost Principles
	<i>Reporting Requirement:</i> Significant Deficiency
	<u>Criteria</u>
Award Nos. 03-STBG-1830 04-STBG-1904 Year: 2007-2008	Direct payroll charges to federal grants for employee time spent on grant functions must be supported with the documentation required by OMB Circular A-87. Where the applicable employees worked on an allowable grant activity as well as non-grant related activities and/or activities related to other grants, required documentation consists of reports signed by each employee accounting for the total number of hours worked and showing an actual distribution of those hours to grant and non-grant functions. These reports must be prepared at least monthly and should coincide with one or more pay periods. Substitute methods may be used, but only if such methods have been approved by the Federal agency overseeing the grant (OMB Circular A-87, Appendix B § (8)(h)).
	<u>Condition</u>
	During our review of personnel activity reports supporting time charged to the grant, we observed that two monthly reports out of the total population of 24 monthly reports charged to the 04-STBG-1904 grant had not been signed by the employee.
	<u>Questioned Costs</u>
	No costs are questioned because, even when the personnel costs supported by the unsigned activity reports are excluded, personnel costs allocable to the grant exceed the grant reimbursements for those costs.
	<u>Perspective</u>
	We do not believe any further information would assist in providing proper perspective.

COUNTY OF LASSEN

Schedule of Findings and Questioned Costs Federal Award Findings and Questioned Costs For the Year Ended June 30, 2008

Program	Findings/Noncompliance
Finding 08-SA-1 (continued)	<u>Effect of the Condition</u>
Community Development Block Grant/State's Program CFDA 14.228	If reports are not signed or otherwise verifiably authorized by employees, the time records could be modified without the employees' approval, resulting in incorrect payroll charges to federal awards.
	<u>Recommendation</u>
	We recommend that timesheets be reviewed at the time grant billings are prepared, and that any unsigned timesheets be returned to the appropriate employee for signature prior to submission of the claim for reimbursement.
	<u>Corrective Action Plan</u>
	The fiscal officer will ensure that all timesheets are signed by the employee before they are placed in the grant binder and billed to the grant. This plan will be effective immediately.
	Niki Cunningham at (530)-251-2685 is the contact person for this plan.
Finding 08-SA-2	<i>Federal Grantor: U.S. Department of Housing and Urban Development</i>
Section 8	<i>Pass-Through Entity: None</i>
Voucher	<i>Compliance Requirement: Special Tests – Housing Quality Standards Enforcement</i>
Housing Program	<i>Reporting Requirement: Material Weakness; Material Non-Compliance at Major Program Level (08-SA-2, 08-SA-3, 08-SA-4, 08-SA-5, and 08-SA-6 considered together)</i>
CFDA 14.871	
Award No. n/a	
Year: 2007-2008	<u>Criteria</u>
	Annual housing quality standards inspections are required for all beneficiaries of housing assistance payments under the Section 8 program (24 CFR § 982.158(d) and 982.405(b)). Deficiencies leading to failed inspections must generally be corrected in 30 days, unless the County elects to grant an extension, or unless the deficiencies are life-threatening, in which case they must be corrected within 24 hours (24 CFR § 982.158(d) and 982.404).
	<u>Condition</u>
	During our review of 29 housing assistance payments, we noted one payment made on a case in which a housing quality standards inspection had not been documented for the home currently inhabited by the client. We noted an

COUNTY OF LASSEN

Schedule of Findings and Questioned Costs Federal Award Findings and Questioned Costs For the Year Ended June 30, 2008

Program	Findings/Noncompliance
Finding 08-SA-2 (continued)	<u>Condition</u> (continued) additional five payments on cases in which deficiencies had been identified on the original inspection reports, but in three of these cases no documentary evidence existed that a re-inspection had been performed to determine whether the deficiencies had been corrected within 30 days or an established extended deadline, and in the other two cases only informal documentation in the form of checkmarks on the deficiency letter suggested that the deficiencies had, in fact, been resolved, but no explicit statements to this effect were located.
Section 8 Voucher Housing Program CFDA 14.871	<u>Questioned Costs</u> Assuming payments would have ended 30 days after the deficient inspection, we believe the range of possible questioned costs is between zero and \$17,076, depending on the outcome of a review by the grantor. <u>Perspective</u> With high turnover in staff, it has been difficult for the Department to maintain standard record-keeping procedures. <u>Effect of Condition</u> If housing quality deficiencies are not addressed and the County continues housing payments, disallowed costs could result for those payments made to landlords who do not address the deficiencies. In addition, failure by the landlord to address deficiencies could lead to an unsafe living environment for the program's participants. <u>Recommendation</u> Effective May 2008, the County's Section 8 program was transferred to another jurisdiction. As this jurisdiction is now responsible for compliance with Section 8 regulations, we have no recommendations for the County with respect to this issue. <u>Corrective Action Plan</u> As the Section 8 program was transferred to Plumas County effective May 2008, no further corrective action is necessary. Bill Jost at (530)-251-8346 is the contact person for this plan.

COUNTY OF LASSEN

Schedule of Findings and Questioned Costs Federal Award Findings and Questioned Costs For the Year Ended June 30, 2008

Program	Findings/Noncompliance
Finding 08-SA-3	<i>Federal Grantor: U.S. Department of Housing and Urban Development</i>
Section 8	<i>Pass-Through Entity: None</i>
Voucher	<i>Compliance Requirement: Eligibility</i>
Housing	<i>Reporting Requirement: Material Weakness; Material Non-Compliance at</i>
Program	<i>Major Program Level (08-SA-2, 08-SA-3, 08-SA-4,</i>
CFDA 14.871	<i>08-SA-5, and 08-SA-6 considered together)</i>
Award No. n/a	<u>Criteria</u>
Year: 2007-2008	In determining eligibility for housing assistance and calculating the amount of the assistance payment, the County is required to utilize third party verification of income as required by 24 CFR part 5 subpart F.
	<u>Condition</u>
	During our testing of 29 case files, we reviewed 13 case files in which we were unable to locate third party verification for all income used in the eligibility and assistance payment calculations.
	<u>Questioned Costs</u>
	No costs are questioned, as the amount of income used in eligibility determination exceeded the amount verified by third parties and documented in the file.
	<u>Perspective</u>
	Turnover in staff has contributed to inconsistent filing practices.
	<u>Recommendation</u>
	Effective May 2008, the County's Section 8 program was transferred to another jurisdiction. As this jurisdiction is now responsible for compliance with Section 8 regulations, we have no recommendations for the County with respect to this issue.
	<u>Corrective Action Plan</u>
	As the Section 8 program was transferred to Plumas County effective May 2008, no further corrective action is necessary.
	Bill Jost at (530)-251-8346 is the contact person for this plan.

COUNTY OF LASSEN

Schedule of Findings and Questioned Costs Federal Award Findings and Questioned Costs For the Year Ended June 30, 2008

Program	Findings/Noncompliance
Finding 08-SA-4	<i>Federal Grantor: U.S. Department of Housing and Urban Development</i>
Section 8	<i>Pass-Through Entity: None</i>
Voucher	<i>Compliance Requirement: Eligibility</i>
Housing	<i>Reporting Requirement: Significant Deficiency; Material Non-Compliance at</i>
Program	<i>Major Program Level (08-SA-2, 08-SA-3, 08-SA-4,</i>
CFDA 14.871	<i>08-SA-5, and 08-SA-6 considered together)</i>
Award No. n/a	<u>Criteria</u>
Year: 2007-2008	Agencies that administer the Section 8 program are required to reexamine each tenant's income and the composition of the tenant's family at least once every 12 months (24 CFR § 982.516).
	<u>Condition</u>
	We found that one of the 29 payments we examined was made on a case in which an annual reexamination of the tenant's income had not been performed in the 12 months preceding the date of the payment.
	<u>Questioned Costs</u>
	Possible questioned costs for this case range from zero to \$3,240, the total amount paid on behalf of the tenant before a new reexamination was completed. The actual amount will depend on the outcome of a review by the grantor, if any.
	<u>Perspective</u>
	With high turnover in staff and limited availability of the staff assigned, it has been difficult for the Department ensure all reexaminations are done on time.
	<u>Effect of Condition</u>
	When redeterminations are done less frequently than annually, it is possible that changes family income and composition could occur but not be detected in a timely manner, leading to improper housing assistance payments.
	<u>Recommendation</u>
	Effective May 2008, the County's Section 8 program was transferred to another jurisdiction. As this jurisdiction is now responsible for compliance with Section 8 regulations, we have no recommendations for the County with respect to this issue.

COUNTY OF LASSEN

Schedule of Findings and Questioned Costs Federal Award Findings and Questioned Costs For the Year Ended June 30, 2008

Program	Findings/Noncompliance
Finding 08-SA-4 (continued)	<u>Corrective Action Plan</u>
Section 8 Voucher Housing Program CFDA 14.871	As the Section 8 program was transferred to Plumas County effective May 2008, no further corrective action is necessary. Bill Jost at (530)-251-8346 is the contact person for this plan.
Finding 08-SA-5	<i>Federal Grantor: U.S. Department of Housing and Urban Development</i>
Section 8 Voucher Housing Program CFDA 14.871	<i>Pass-Through Entity: None</i>
	<i>Compliance Requirement: Special Tests – Utility Allowance</i>
	<i>Reporting Requirement: Material Weakness; Material Non-Compliance at Major Program Level (08-SA-2, 08-SA-3, 08-SA-4, 08-SA-5, and 08-SA-6 considered together)</i>
Award No. n/a Year: 2007-2008	<u>Criteria</u>
	24 CFR § 982.517 sets forth the requirements for annual updates to a utility allowance schedule that is used to calculate the housing assistance payments on behalf of tenants.
	<u>Condition</u>
	We found that for 21 of the 29 payments selected, the associated case files did not appear to contain the utility allowance schedule showing the calculation of the utility allowance amount that was used in determining the housing assistance payment. For four additional payments, the schedule on file did not appear to be the most current or the amounts used did not appear correct in light of information elsewhere in the file.
	<u>Questioned Costs</u>
	No costs are questioned as using corrected utility allowance schedules would have likely increased the amount of housing assistance paid.
	<u>Perspective</u>
	With high turnover in staff and limited availability of the staff assigned, it has been difficult for the Department to ensure all reexaminations are done on time.

COUNTY OF LASSEN

Schedule of Findings and Questioned Costs Federal Award Findings and Questioned Costs For the Year Ended June 30, 2008

Program	Findings/Noncompliance
Finding 08-SA-5 (continued)	<u>Effect of Condition</u>
Section 8 Voucher Housing Program CFDA 14.871	When the utility allowance used is not documented in the file, errors in housing payments could result.
	<u>Recommendation</u>
	Effective May 2008, the County's Section 8 program was transferred to another jurisdiction. As this jurisdiction is now responsible for compliance with Section 8 regulations, we have no recommendations for the County with respect to this issue.
	<u>Corrective Action Plan</u>
	As the Section 8 program was transferred to Plumas County effective May 2008, no further corrective action is necessary.
	Bill Jost at (530)-251-8346 is the contact person for this plan.
Finding 08-SA-6	<i>Federal Grantor: U.S. Department of Housing and Urban Development</i>
Section 8	<i>Pass-Through Entity: None</i>
Voucher	<i>Compliance Requirement: Allowable Activities/Cost Principles</i>
Housing	<i>Reporting Requirement: Significant Deficiency; Material Non-Compliance at</i>
Program	<i>Major Program Level (08-SA-2, 08-SA-3, 08-SA-4,</i>
CFDA 14.871	<i>08-SA-5, and 08-SA-6 considered together)</i>
Award No. n/a	<u>Criteria</u>
Year: 2007-2008	Direct payroll charges to federal grants for employee time spent on grant functions must be supported with the documentation required by OMB Circular A-87. Where the applicable employees worked on an allowable grant activity as well as non-grant related activities and/or activities related to other grants, required documentation consists of reports signed by each employee accounting for the total number of hours worked and showing an actual distribution of those hours to grant and non-grant functions. These reports must be prepared at least monthly and should coincide with one or more pay periods. Substitute methods may be used, but only if such methods have been approved by the Federal agency overseeing the grant (OMB Circular A-87, Appendix B § (8)(h)).

COUNTY OF LASSEN

Schedule of Findings and Questioned Costs Federal Award Findings and Questioned Costs For the Year Ended June 30, 2008

Program	Findings/Noncompliance
Finding 08-SA-6 (continued)	<u>Condition</u> We noted that the payroll charged to the program for two employees was based on budgeted amounts and was not supported by actual activity logs.
Section 8 Voucher Housing Program CFDA 14.871	<u>Questioned Costs</u> No costs are questioned, as the amount involved would likely be less than \$10,000. OMB Circular A-133 § 510(a)(3) requires reporting of questioned costs only when likely questioned costs exceed \$10,000.
	<u>Perspective</u> We do not believe any further information would assist in providing proper perspective.
	<u>Effect of the Condition</u> If reports are not prepared and signed or otherwise verifiably authorized by employees, the time records may not reflect the employee's actual time spent on the grant, resulting in incorrect payroll charges to federal awards.
	<u>Recommendation</u> Effective May 2008, the County's Section 8 program was transferred to another jurisdiction. As this jurisdiction is now responsible for compliance with Section 8 regulations, we have no recommendations for the County pertaining to this issue.
	<u>Corrective Action Plan</u> As the Section 8 program was transferred to Plumas County effective May 2008, no further corrective action is necessary.
	Bill Jost at (530)-251-8346 is the contact person for this plan.

COUNTY OF LASSEN

Schedule of Findings and Questioned Costs Federal Award Findings and Questioned Costs For the Year Ended June 30, 2008

Program	Findings/Noncompliance
Finding 08-SA-7	<i>Federal Grantor: U.S. Department of Health and Human Services</i>
	<i>Pass-Through Entity: State Department of Social Services</i>
Temporary	<i>Compliance Requirement: Eligibility/Special Tests (IEVS)</i>
Assistance for	<i>Reporting Requirement: Material Weakness and Material</i>
Needy Families	<i>Noncompliance in Relation to a</i>
CFDA 93.558	<i>Compliance Supplement Audit Objective</i>
Award No. n/a	<u>Criteria</u>
Year: 2007/2008	<p>As required by § 1137 of the Social Security Act, income and benefit information from the Income Eligibility and Verification System (IEVS) database must be requested and used when making eligibility determinations. The County must review and compare the information obtained from IEVS against information contained in the case record to determine whether it affects the individual's eligibility or level of assistance, benefits or services.</p>
	<u>Condition</u>
	<p>We tested 24 cases and noted that four cases were missing the IEVS documents for at least one individual that was active on the case. We also noted two cases where the IEVS had not been signed and dated by the Eligibility Worker.</p>
	<u>Questioned Costs</u>
	<p>The range of possible questioned costs arising from this issue is from zero to \$28,124, the total amount of assistance paid during the year on the cases in question.</p>
	<u>Perspective</u>
	<p>We noted that the IEVS were missing or had not been signed and dated by the Eligibility Worker for 12 individuals. We assumed an average number of individuals requiring an IEVS per case was 3.5. That means we tested for 84 IEVS with 12 IEVS either missing or not signed and dated by the Eligibility Worker. The error rate for the sample was $12 / 84 = 14.29\%$.</p>
	<u>Effect of Condition</u>
	<p>The IEVS system is an elaborate, federally-mandated system which compiles government information for the purpose of tracking federal program eligibility data. Not requesting and using IEVS in eligibility determination can result in individuals receiving benefits to which they are not entitled.</p>

COUNTY OF LASSEN

Schedule of Findings and Questioned Costs Federal Award Findings and Questioned Costs For the Year Ended June 30, 2008

Program	Findings/Noncompliance
Finding 08-SA-7 (continued)	<u>Recommendation</u> We recommend that the Department review this omission to request, review, and compare the IEVS to information in the case record. We recommend that the Department attempt to determine why the current system of controls failed to prevent these exceptions and that the Department establish and communicate a policy designed to ensure that IEVS information is requested, received, and reviewed and that this review is documented in each case.
Temporary Assistance for Needy Families CFDA 93.558	<u>Corrective Action Plan</u> The department established a corrective action plan in 2006 that has been only moderately successful due to ongoing staffing challenges. The department's managers are currently working on a tickler system for tracking applications and recertifications approved pending IEVS documents that had to be re-requested to ensure that staff follow up on receipt and processing. Melody Brawley at (530)-251-8152 is the contact person for this plan.
Finding 08-SA-8	<i>Federal Grantor: U.S. Department of Health and Human Services</i> <i>Pass-Through Entity: State Department of Social Services</i> <i>Compliance Requirement: Eligibility</i> <i>Reporting Requirement: Significant Deficiency</i>
Temporary Assistance for Needy Families CFDA 93.558	<u>Criteria</u> As required by federal law, each individual receiving federal assistance, is required to complete a recertification document at least annually. This recertification document is known as the "Statement of Facts." The information contained in this document is used when making eligibility determinations for the upcoming year regarding the individual's eligibility or level of assistance, benefits or services.
Award No. n/a Year: 2007/2008	<u>Condition</u> We tested eligibility for 24 separate payments under the program. For one of those payments, we noted that a Statement of Facts was not on file for any of the 12 months preceding the payment.
	<u>Questioned Costs</u> The range of possible questioned costs is from zero to \$8,860.

COUNTY OF LASSEN

Schedule of Findings and Questioned Costs Federal Award Findings and Questioned Costs For the Year Ended June 30, 2008

Program	Findings/Noncompliance
Finding 08-SA-8 (continued)	<u>Perspective</u> It appears the County neglected to have the individual receiving Federal assistance sign under penalty of perjury that the statements they provided are true upon the yearly renewal.
Temporary Assistance for Needy Families CFDA 93.558	<u>Effect of the Condition</u> Requiring the Statement of Facts to be completed and signed at least annually and used in eligibility determination aids in preventing individuals from receiving benefits to which they are not entitled. <u>Recommendation</u> We recommend that the Department review its procedures for filing and retention of Statement of Facts forms to determine if the absent Statement of Facts in this case represents an isolated occurrence and adjust those procedures as necessary. <u>Corrective Action Plan</u> In addition to reviewing its procedures for filing and retention of Statement of Fact forms, the department conducted an extensive search for this particular missing Statement of Fact, considering all the possible reasons that a Statement of Fact might be removed from a case and where it might go from there. No reason to remove the Statement of Fact was found and the department determined that this case represents an isolated occurrence. Melody Brawley at (530)-251-8152 is the contact person for this plan.
Finding 08-SA-9	<i>Federal Grantor: U.S. Department of Health and Human Services</i> <i>Pass-Through Entity: State Department of Social Services</i> <i>Compliance Requirement: Allowable Activities/Cost Principles</i> <i>Reporting Requirement: Material Weakness; Material Non-Compliance in Relation to a Compliance Supplement Audit Objective</i>
Temporary Assistance for Needy Families CFDA 93.558	
Award No. n/a Year: 2007/2008	<u>Criteria</u> Direct payroll charges to federal programs for employee time spent on program functions must be supported with the documentation required by OMB Circular A-87. Where the applicable employees worked on an allowable grant activity as well as non-grant related activities and/or activities related to other grants,

COUNTY OF LASSEN

Schedule of Findings and Questioned Costs Federal Award Findings and Questioned Costs For the Year Ended June 30, 2008

Program	Findings/Noncompliance
Finding 08-SA-9 (continued)	<u>Criteria</u> (continued) required documentation consists of reports signed by each employee accounting for the total number of hours worked and showing an actual distribution of those hours to grant and non-grant functions. These reports must be prepared at least monthly and should coincide with one or more pay periods. If an employee's time is 100% devoted to a single allowable grant activity, a certification may be prepared by the employee or his or her supervisor at least every six months. Substitute methods may be used, but only if such methods have been approved by the Federal agency overseeing the grant (OMB Circular A-87, Appendix B § (8)(h)).
Temporary Assistance for Needy Families CFDA 93.558	<u>Condition</u> The Social Services Department utilizes the services of a law enforcement officer in the Sheriff's Department to investigate actual or potential cases of welfare fraud. The Social Services Department informed us that one sheriff's deputy is assigned these investigations as his or her full-time responsibility. We inquired on the records maintained but learned that documentation was not available for this purpose.
	<u>Questioned Costs</u> The range of possible questioned costs is between zero and \$89,296, the total amount charged to the program for the law enforcement officer's time. We recommend that the grantor agency work with the Department to determine what costs, if any, should be disallowed.
	<u>Perspective</u> While the sheriff's deputy's timecards did not contain the required certification, inter-department invoices were on file showing the costs. We also noted a social services organizational chart listing the extension number of the fraud investigator.
	<u>Effect of the Condition</u> The completion of time certifications enables the department to establish that its full-time employees do in fact work exclusively on the program in accordance with A-87 standards. Without the periodic time certifications, employee assignments away from federal grant functions could be overlooked.

COUNTY OF LASSEN

Schedule of Findings and Questioned Costs Federal Award Findings and Questioned Costs For the Year Ended June 30, 2008

Program	Findings/Noncompliance
Finding 08-SA-9 (continued)	<u>Recommendation</u>
Temporary Assistance for Needy Families CFDA 93.558	<p>We recommend that the department implement a system for accounting for investigative time devoted to the program in accordance with OMB Circular A-87. Personnel activity reports could be done along with timecards and turned in at the same time.</p> <p>For more information, we recommend that the County review OMB's requirements located at <http://www.whitehouse.gov/omb/circulars/a087/a87_2004.html>.</p>
	<u>Corrective Action Plan</u>
	<p>For the 08/09 fiscal year, the department worked with the Sheriff's Office to develop a contract in which, rather than dedicated personnel, the contractor (the Sheriff's Office) is required to report the number of specific activities performed and is reimbursed on a per activity basis.</p> <p>Melody Brawley at (530)-251-8152 is the contact person for this plan.</p>
Finding 08-SA-10	<i>Federal Grantors: U.S. Department of Agriculture U.S. Department of Health and Human Services</i>
Food Stamps CFDA 10.551	<i>Pass-Through Entity: State Department of Social Services</i>
	<i>Compliance Requirement: Allowable Activities/Cost Principles</i>
State Administrative Matching Grants for Food Stamps CFDA 10.561	<i>Reporting Requirement: Material Weakness; Material Non-Compliance in Relation to a Compliance Supplement Audit Objective</i>
Temporary Assistance for Needy Families CFDA 93.558	<u>Criteria</u>
Foster Care—Title IV-E CFDA 93.658	OMB Circular A-87 defines indirect costs as costs "(a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved" (A-87 Attachment A § (E)(1) and (F)(1)). The term "cost objective" is defined by the Circular as a "function, organizational subdivision, contract, grant, or other activity for which cost data are needed and for which costs are incurred." The Circular requires that "All departments or agencies of [a] governmental unit desiring to claim indirect costs under Federal awards must prepare an indirect cost rate proposal and related documentation to support those costs. The proposal and related documentation must be retained for audit in accordance with the records retention requirements contained in the Common Rule," and must be prepared within six months of the close of the fiscal year during which the indirect costs were allocated (A-87 Attachment E § (D)(1)(a)). Further, the Circular provides that each indirect cost
Award Nos. n/a Year: 2007-2008	

COUNTY OF LASSEN

Schedule of Findings and Questioned Costs Federal Award Findings and Questioned Costs For the Year Ended June 30, 2008

Program	Findings/Noncompliance
Finding 08-SA-10 (continued)	<u>Criteria</u> (continued)
Food Stamps CFDA 10.551	proposal shall consist of the rates proposed together with supporting worksheets, financial data used in computing the rates, the approximate amount of the total costs used as a base for the indirect cost rate allocation incurred under Federal awards, an organizational chart for the agency, and a signed certification (A-87 Attachment E § (D)(2)).
State Administrative Matching Grants for Food Stamps CFDA 10.561	<u>Condition</u> We inquired about the documentation on file supporting the Health and Social Services Agency's allocation of administrative overhead expenses during the current fiscal year. We were able to review a written policy showing the methods for calculating the indirect costs charged and spreadsheets indicating the calculation was done according to the policy, however the certification and organizational chart required by OMB Circular A-87 were not completed until February 2009.
Temporary Assistance for Needy Families CFDA 93.558	<u>Questioned Costs</u> No costs are questioned as the cost allocation plan was not defective and the required documents were eventually prepared.
Foster Care— Title IV-E CFDA 93.658	<u>Perspective</u> The State of California authorized the use of an "umbrella" agency to jointly administer various health and social services departments under California Welfare and Institutions Code § 18987 through § 18987.36. However, the California Welfare Cost Allocation Plan, under which costs are allocated for social services programs has never been modified to provide guidance on the methods to be used for these joint costs. It appears that the current cost allocation method and spreadsheet have been in use and applied consistently by the County for several years, but that it was never formally documented.
	<u>Effect of Condition</u> If cost allocation plan documents are not prepared within 6 months of the year during which the plan was in effect, the Department is not in compliance with OMB Circular A-87 and preparation of the documents could be more difficult.

COUNTY OF LASSEN

Schedule of Findings and Questioned Costs Federal Award Findings and Questioned Costs For the Year Ended June 30, 2008

Program	Findings/Noncompliance
Finding 08-SA-10 (continued)	<u>Recommendation</u>
Food Stamps CFDA 10.551	We recommend that the Department prepare the remaining documents necessary to comply with OMB Circular A-87 and retain them on file for the audit.
State Administrative Matching Grants for Food Stamps CFDA 10.561	<u>Corrective Action Plan</u> The required documents have been submitted as of February 11, 2009 and will be retained on file to comply with OMB Circular A-87. Yvonne Smith at (530)-251-8255 is the contact person for this plan.
Temporary Assistance for Needy Families CFDA 93.558	
Foster Care— Title IV-E CFDA 93.658	
Finding 08-SA-11	<i>Federal Grantor: U.S. Department of Health and Human Services</i>
Foster Care—	<i>Pass-Through Entity: State Department of Social Services</i>
Title IV-E	<i>Compliance Requirement: Reporting</i>
CFDA 93.658	<i>Reporting Requirement: Material Weakness; Material Non-Compliance in Relation to a Compliance Supplement Audit Objective</i>
Award No. n/a Year: 2007-2008	<u>Criteria</u> 45 CFR § 304.25 provides that expenditures are considered made for federal purposes "on the date on which the cash disbursements occur. . . . In the case of local administration, the date of disbursements by the local agency governs." In order to comply with this section of the Code of Federal Regulations, the Department of Social Services of the State of California issued County Fiscal Letter (CFL) 06/07-06 to all California counties on July 13, 2006. This letter addresses claiming on the County Expense Claim (CEC), which is filed quarterly by each county in California to obtain reimbursement for the administration of a number of federal and state social service programs, including the programs named in this finding. According to the letter, "...if a county receives goods/services and an invoice in June 2006 (Fiscal Year 2005/06) but decides to pay the invoice in July 2006 (Fiscal Year 2006/07), the county must claim the costs when the payment is made (July 2006 or the July-September 2006 calendar

COUNTY OF LASSEN

Schedule of Findings and Questioned Costs Federal Award Findings and Questioned Costs For the Year Ended June 30, 2008

Program	Findings/Noncompliance
Finding 08-SA-11 (continued)	<u>Criteria</u> (continued)
Foster Care— Title IV-E CFDA 93.658	quarter). . . . As a general rule, cash claiming requires that expenditures be reported in the month/quarter in which they are recorded in the county's official accounting records." Accordingly, it is necessary for counties to reconcile the costs claimed on the CEC with the general ledger to ensure that the county does not claim costs in excess of its actual expenses and receive more money than is permitted.
Award No. n/a Year: 2007-2008	<u>Condition</u>
	We reviewed the CEC filed for the quarter beginning April 1, 2008 and ending June 30, 2008. Although a reconciliation was performed for the portion of the CEC related to the LassenWORKS department, an explicit reconciliation was not available for the probation expenditures reflected in the claim, and, on further inquiry, it was discovered that two months of expenditures had been inadvertently included twice, resulting in the County claiming \$34,039 more than its program-related expenditures in the Probation Department.
	We also noted that the claim included amounts that probation employees had earned during the month of June but had not been paid to them until the next quarter.
	<u>Questioned Costs</u>
	We question the amount of the difference, \$34,039, as it appears these were not intended to be costs of the program. We do not question costs related to the accrued payroll that was paid in the next claiming period as these are likely offset by accrued payroll costs in the previous fiscal year.
	<u>Perspective</u>
	We examined one of the four quarterly claims, but the fourth quarter claim was prepared during a staffing transition.
	<u>Effect of the Condition</u>
	Over-claiming expenses could result in the County receiving State and Federal funds to which it is not entitled.

COUNTY OF LASSEN

Schedule of Findings and Questioned Costs Federal Award Findings and Questioned Costs For the Year Ended June 30, 2008

Program	Findings/Noncompliance
Finding 08-SA-11 (continued)	<u>Recommendation</u>
Foster Care— Title IV-E CFDA 93.658	We recommend that the County consider amending its fourth quarter CEC to correct the amount claimed. We also recommend that check figures be added to the probation spreadsheet to facilitate a reconciliation to the general ledger and assist the preparer in detecting any errors that may arise.
Award No. n/a Year: 2007-2008	<u>Corrective Action Plan</u>
	It was brought to the department's attention by the outside auditor there were discrepancies with Probation's 4th Quarter Title IV-E claim for Fiscal Year 2007-08. It was recommended by the outside auditor to provide a corrective action plan. The Probation Department prior to this recommendation had already recognized the need for modifications to fiscal policies and procedures regarding this matter. Upon the absence of the Probation Department's fiscal officer during the 4th quarter of the 2007-08 fiscal year, new policies and procedures were established in July 2008 to create a backup system due to the lack of any documentation supporting the department's expenditures. The department currently runs the Quickbooks program in conjunction with the Lassen County's General Ledger application to ensure all revenues and expenditures are accurate. Any reports utilized for completing quarterly reports to claim funding are filed with a copy of the claim. Additionally, it is beneficial to the Probation Department to have the opportunity to attend the necessary trainings and conferences regarding these matters.
	Jeanette Goni at (530)-251-2607 is the contact person for this plan.
Finding 08-SA-12	<i>Federal Grantor: U.S. Department of Health and Human Services</i>
Child Support Enforcement CFDA 93.563	<i>Pass-Through Entity: State Department of Child Support Services</i>
	<i>Compliance Requirement: Special Tests – Establishment of Paternity and Support Obligations</i>
Award No. n/a Year: 2007-2008	<i>Reporting Requirement: Material Weakness and Material Non-Compliance in Relation to a Compliance Supplement Audit Objective</i>
	<u>Criteria</u>
	The Child Support Department must attempt to establish paternity and a support obligation within required time limits. Federal law requires that a State Child Support plan be adopted providing for expedited processes to establish paternity and support obligations, and as well, for accomplishing service of process. 45 CFR § 302.70(a)(2) & 303.3(c). Under these requirements and the state Plan: (1) service on the non-custodial parent (NCP) must be attempted within

COUNTY OF LASSEN

Schedule of Findings and Questioned Costs Federal Award Findings and Questioned Costs For the Year Ended June 30, 2008

Program	Findings/Noncompliance
Finding 08-SA-12 (continued)	<u>Criteria</u> (continued) 90 days of the date located via a locate service or within 60 days of the date on which the custodial parent provides the NCP's address; and (2) at least 90% of the paternity cases must reach disposition within one year after service of process is accomplished.
Child Support Enforcement CFDA 93.563	<u>Condition</u> We tested 24 cases and observed that in two cases the required 90-day timeframe to attempt service of process had been exceeded. <u>Questioned Costs</u> No costs are questioned. <u>Perspective</u> Current staff are having a difficult time meeting timeliness requirements. <u>Effect of Condition</u> Collection of child support is a very time sensitive issue. Omission to serve NCPs in order to establish paternity/support orders within required time frames causes delays and, occasionally, loss of ability to collect some portion of support obligations. <u>Recommendation</u> The Child Support Department currently has procedures in effect to ensure that time frames are met for establishment of paternity and support obligations. We recommend that the Child Support Department review the above exceptions and determine what procedures can be implemented to prevent recurrence of similar errors. Such procedures might include a focus on prompt data entry as well as the prioritization of caseworker tasks. <u>Corrective Action Plan</u> Lassen County Department of Child Support Services has recently restructured our functionality teams to include an Establishment Unit. The Establishment Unit is in training this week and will be performing the duties as set forth in our developed Establishment Reference Guide while working their mail & tasks.

COUNTY OF LASSEN

Schedule of Findings and Questioned Costs Federal Award Findings and Questioned Costs For the Year Ended June 30, 2008

Program	Findings/Noncompliance
Finding 08-SA-12 (continued)	<u>Corrective Action Plan</u> (continued)
Child Support Enforcement CFDA 93.563	<p>The Establishment Reference Guide outlines their daily duties Monday – Friday. On Tuesday they are required to only process Summons & Complaints/Petitions. On Tuesday morning they will be given all cases that have been filtered to me from the intake team that require a Summons & Complaint or UIFSA Petition along with their task list for all Summons & Complaint/Petitions that need to be reviewed and worked. I will be tracking the cases that are filtered to me from intake that require a Summons & Complaint along with the tasks to ensure they are completed in a timely manner. They will prepare a draft calculation and synopsis on Tuesday for each case and schedule a meeting on Wednesday morning to review their calculations with the Child Support Attorney for discussion and his final approval prior to him signing the Summons & Complaints. The Summons & Complaints/Petitions will be completed and sent to the Court for filing on Friday of that week. Once the Summons & Complaint/Petition is returned filed from the courts, it will be routed to the enforcement workers to complete the process service portion of the documents.</p> <p>The tracking of every case or task relating to Summons & Complaints/Petitions should ensure that all compliance time frames are met in the 2008/2009 fiscal year.</p> <p>Robin Jones at (530)-251-2630 is the contact person for this plan.</p>

COUNTY OF LASSEN

Schedule of Findings and Questioned Costs Federal Award Findings and Questioned Costs For the Year Ended June 30, 2008

Program	Findings/Noncompliance
Finding 08-SA-13 (and 08-FS-1)	<i>Federal Grantors:</i> U.S. Department of Agriculture (10.665 and 10.666) U.S. Department of Housing and Urban Development (14.228)
Preparation of the Schedule of Expenditures of Federal Awards	<i>U.S. Department of Health and Human Services</i> (93.558 and 93.658)
Schools and Roads—Grants to States CFDA 10.665	<i>Pass-Through Entities:</i> State Controller's Office (10.665 and 10.666) State Department of Housing and Community Development (14.228) State Department of Social Services (93.558 and 93.658)
	<i>Compliance Requirement:</i> Reporting
	<i>Reporting Requirement:</i> Material Weakness
Schools and Roads—Grants to Counties CFDA 10.666	Please refer to Finding 08-FS-1 in the "Financial Statement Findings" section.
Community Development Block Grant/State's Program CFDA 14.228	
Temporary Assistance for Needy Families CFDA 93.558	
Foster Care—Title IV-E CFDA 93.658	
Award Nos. n/a Year: 2007-2008	

COUNTY OF LASSEN

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2008

Audit Reference Number	Status of Prior Year Audit Findings
Finding 05-2	<u>Recommendation</u>
Temporary Assistance for Needy Families CFDA 93.558	We recommend that a review process be implemented with County personnel to see that IEVS are requested, reviewed, compared to the case record, and used in determining eligibility for TANF benefits.
Award No. n/a Original Finding Year: 2004-2005	OMB's guidance on these requirements is at: www.omb.gov/omb/circulars/a133_compliance/05/cs5updates.html . We further recommend that the County review its internal controls for tracking the IEVS report once they request them from the State to ensure the County is receiving them in a timely manner so the IEVS can be used to determine eligibility.
	<u>Status</u>
	Partially corrected. In addition to the long standing practice of reviewing 100% of intakes, renewals/recertifications, and add program/person actions, the department has implemented a regular random re-review of the work of review staff including ensuring the presence or lack of required IEVS documentation prior to case authorization.
Finding 06-SA-2	<u>Recommendation</u>
Child Support Enforcement CFDA 93.563	The Child Support Department currently has procedures in effect to ensure that time frames are met for establishment of paternity and support obligations. We recommend that the Child Support Department review the above exceptions and determine what procedures can be implemented to prevent recurrence of similar errors. Such procedures might include a focus on prompt data entry as well as the prioritization of caseworker tasks.
Award No. n/a Year: 2005-2006	<u>Status</u>
	Not corrected. Lassen County Child Support continues to strive to insure all time limits are met. It is not always possible to meet 100% of the time limits. This year we were working on converting to the new State system which we did convert to on October 1, 2007. The new system will insure S & C are produced timely as the system will do S & C electronically if one is not produced within time limits.

COUNTY OF LASSEN

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2008

Audit Reference Number	Status of Prior Year Audit Findings
Finding 07-SA-1	<u>Recommendation</u> We recommend that the County consult with the HCD to determine whether amended reports may be necessary to show the correct amount of funds disbursed. We also recommend that reconciliations be prepared for each FAR report showing the calculation of CDBG funds disbursed and that they be reviewed prior to submission of the report to HCD. <u>Status</u> Corrected.
Community Development Block Grant/State's Program CFDA 14.228 Award No. 04-STBG-1904 Year: 2004	
Finding 07-SA-2	<u>Recommendation</u> We recommend that the County develop a standard method of documenting re-inspections of previously failed rental properties. The documentation should explicitly state whether each re-inspection was successful and give the date of the re-inspection. We further recommend that the County discontinue payments when landlords do not comply. <u>Status</u> Corrected. The Section 8 program was transferred to Plumas County effective May 2008.
Section 8 Voucher Housing Program CFDA 14.871 Award No. n/a Year: 2006-2007	
Finding 07-SA-3	<u>Recommendation</u> We recommend that the calculations used to determine income of eligibility and assistance purposes be clearly indicated on the physical evidence of the income kept in the file. <u>Status</u> Corrected. The Section 8 program was transferred to Plumas County effective May 2008.
Section 8 Voucher Housing Program CFDA 14.871 Award No. n/a Year: 2006-2007	

COUNTY OF LASSEN

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2008

Audit Reference Number	Status of Prior Year Audit Findings
Finding 07-SA-4	<u>Recommendation</u> We recommend that the Department contact HUD to determine a means of submitting the required certification. We further recommend that the Department review its procedures for preparing the SEMAP to determine whether changes may be necessary to ensure timely submission. <u>Status</u> Corrected. The Section 8 program was transferred to Plumas County effective May 2008.
Finding 07-SA-5	<u>Recommendation</u> We recommend that the department implement a system for collecting the required time certifications from the deputy twice per year. The time certifications should declare that, during the previous six months, the certifying employee has worked only on federally-eligible welfare-related activities. More frequent time certifications are also acceptable as long as they cover the period of time elapsed since the last certification. The department could collect these certifications periodically along with employees' payroll timecards, or even add certification language to the timecards themselves to ensure compliance. For more information, we recommend that the County review OMB's requirements located at < http://www.whitehouse.gov/omb/circulars/a087/a87_2004.html >. <u>Status</u> As cited above, for the 08/09 fiscal year, the department worked with the Sheriff's Office to develop a contract in which, rather than dedicated personnel, the contractor (the Sheriff's Office) is required to report the number of specific activities performed and is reimbursed on a per activity basis.
Finding 07-SA-6	<u>Recommendation</u> We recommend that the County review and improve its internal control system of ensuring that each adult individual who does not participate in WTW is sanctioned, as required. <u>Status</u> Corrected.

COUNTY OF LASSEN

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2008

Audit Reference Number	Status of Prior Year Audit Findings
Finding 07-SA-7	<u>Recommendation</u> We recommend the County review its internal controls for County employees to track and review criminal records checks to ensure all adults living in the potential foster family home have satisfactorily met a criminal records check prior to placing children in the foster family home.
Foster Care – Title IV-E CFDA 93.658	
Award No. n/a Year: 2006-2007	<u>Status</u> Corrected.
Finding 07-SA-8	<u>Recommendation</u> We recommend that the department develop a formal indirect cost rate proposal in accordance with OMB Circular A-87 and maintain it on file for audit.
Food Stamps CFDA 10.551	
State Administrative Matching Grants for Food Stamps CFDA 10.561	<u>Status</u> Partially corrected. The Department prepared the necessary documentation this year, and will have it on file within the required timeframe for next year's audit.
Temporary Assistance for Needy Families CFDA 93.558	
Foster Care – Title IV-E CFDA 93.658	
Award No. n/a Year: 2006-2007	

COUNTY OF LASSEN

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2008

Audit Reference Number	Status of Prior Year Audit Findings
Finding 07-SA-9	<u>Recommendation</u>
Food Stamps CFDA 10.551	We recommend that the Department revise its claim preparation procedures to exclude expenditures appearing on the ledgers that were not paid during the period in order to ensure that claims are reported on the cash basis as required. We also recommend that the Department amend its fourth quarter administrative claim and the first quarter claim of the new fiscal year so that each claim reflects only the expenditures actually disbursed during the claiming period.
State Administrative Matching Grants for Food Stamps CFDA 10.561	<u>Status</u>
Temporary Assistance for Needy Families CFDA 93.558	Partially corrected. Any necessary adjustments will be made to Probation claims by June 30, 2009.
Foster Care – Title IV-E CFDA 93.658	
Award No. n/a Year: 2006-2007	
Finding 07-SA-10	<u>Recommendation</u>
Child Support Enforcement CFDA 93.563	We recommend that the Department review its claim preparation procedures to determine whether any additional steps could be added to ensure that claims are accurately reported on the cash basis as required. We also recommend that the Department consult with the State Department of Child Support Services and amend its fourth quarter administrative claim to reflect only the expenditures actually disbursed during the claiming period, if required.
Award No. n/a Year: 2006-2007	<u>Status</u>
	Corrected.

COUNTY OF LASSEN

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2008

Audit Reference Number	Status of Prior Year Audit Findings
Finding 07-SA-11	<u>Recommendation</u>
Child Support Enforcement CFDA 93.563	When preparing the semi-annual time certifications, we recommend that supervisory personnel review the payroll registers for the 6-month period covered by the certification to ensure that the certification includes employees that worked a partial period as well as employees that worked for the whole period.
Award No. n/a Year: 2006-2007	<u>Status</u>
	Corrected.

**SUPPLEMENTARY STATEMENTS
OF GRANT EXPENDITURES**

COUNTY OF LASSEN

Supplementary Statement of Grant Expenditures For the Year Ended June 30, 2008

State Office of Emergency Services

The following represents expenditures for the Office of Emergency Services programs for the year ended June 30, 2008. The amount reported in the Schedule of Expenditures of Federal Awards is determined by calculating the federal portion of the current year expenditures.

Program	Expenditures Claimed			Share of Expenditures Current Year		
	For the Period Through June 30, 2007	For the Year Ended June 30, 2008	Cumulative As of June 30, 2008	Federal Share	State Share	County Share
<u>VW07150180</u>						
<u>Victim/Witness Assistance</u>						
Personal services	\$ --	\$ 93,986	\$ 93,986	\$ 42,763	\$ 51,223	\$ --
Operating expenses	--	5,231	5,231	--	5,231	--
Equipment	--	--	--	--	--	--
Totals	<u>\$ --</u>	<u>\$ 99,217</u>	<u>\$ 99,217</u>	<u>\$ 42,763</u>	<u>\$ 56,454</u>	<u>\$ --</u>
<u>DC07180180</u>						
<u>Byrne Justice Assistance Grant (JAG)</u>						
Personal services	\$ --	\$ 32,848	\$ 32,848	\$ 32,848	\$ --	\$ --
Operating expenses	--	79,576	79,576	79,576	--	--
Equipment	--	--	--	--	--	--
Totals	<u>\$ --</u>	<u>\$ 112,424</u>	<u>\$ 112,424</u>	<u>\$ 112,424</u>	<u>\$ --</u>	<u>\$ --</u>
<u>VB07050180</u>						
<u>Statutory Rape Vertical Prosecution</u>						
Personal services	\$ --	\$ 92,579	\$ 92,579	\$ --	\$ 92,579	\$ --
Operating expenses	--	2,144	2,144	--	2,144	--
Equipment	--	--	--	--	--	--
Totals	<u>\$ --</u>	<u>\$ 94,723</u>	<u>\$ 94,723</u>	<u>\$ --</u>	<u>\$ 94,723</u>	<u>\$ --</u>

COUNTY OF LASSEN

Supplementary Statement of Grant Expenditures For the Year Ended June 30, 2008

California Department of Justice Grant

The following represents expenditures for the California Department of Justice programs for the year ended June 30, 2008.

Program	Expenditures Reported			Share of Expenditures Current Year		
	For the Period Through June 30, 2007	For the Year Ended June 30, 2008	Cumulative As of June 30, 2008	Federal Share	State Share	County Share
<u>07SA14D008</u>						
<u>Spousal Abuser</u>						
Staff salaries	\$ --	\$ 35,829	\$ 35,829	\$ --	\$ 28,685	\$ 7,144
Staff benefits	--	6,671	6,671	--	6,671	--
Totals	<u>\$ --</u>	<u>\$ 42,500</u>	<u>\$ 42,500</u>	<u>\$ --</u>	<u>\$ 35,356</u>	<u>\$ 7,144</u>